IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

EVOLUTIONARY INTELLIGENCE, LLC,

Plaintiff,

v.

APPLE, INC,

Defendant.
_____/

No. C 13-04201 WHA

ORDER GRANTING IN PART AND DENYING IN PART MOTION TO STAY PENDING *INTER PARTES* REVIEW

In this patent infringement action, defendant moves to stay pending *inter partes* review. For the reasons stated below, the motion is **GRANTED IN PART AND DENIED IN PART**.

STATEMENT

In October 2012, Evolutionary Intelligence, LLC filed a complaint alleging infringement of U.S. Patent Nos. 7,010,536 (the "'536 patent") and 7,702,682 (the "'682 patent") in the Eastern District of Texas. Evolutionary asserts that Apple, Inc. infringes claims 1-16 of the '536 patent and claims 1-11, 14-23 of the '682 patent — a total of 37 asserted claims (Opp. 3). Evolutionary also filed eight other actions alleging infringement of the same two patents. Evolutionary does not currently practice the claimed technology, but Incandescent, Inc., a non-party, is "currently developing a web browser product that will ultimately practice the technology of the Asserted Patents" (McCarthy Decl. Exh. E, De Angelo Decl. ¶ 5). In February 2013, after an amended complaint was filed, Apple filed an answer and asserted four counterclaims. The counterclaims seek declaratory judgment of non-infringement and invalidity of the '536 and '682 patents.

During July to September 2013, the nine actions were transferred to this district. This action was transferred in September. An October 8 order denied relating the nine actions. *Evolutionary Intelligence, LLC v. Yelp, Inc.*, No. 4:13-cv-03587-DMR, Dkt. No. 82 (N.D. Cal. Oct. 8, 2013).

In October 2013, Apple filed six petitions for *inter partes* review by the new United States Patent and Trademark Office Patent Trial and Appeal Board ("PTAB"), collectively challenging the validity of all of the asserted claims. Evolutionary's responses by the PTAB will be complete by January 23, 2014 (Br. 3). Any decision to institute trial on the petitions (or deny review) will likely issue by April 2014. 35 U.S.C. 314(b). A final determination shall issue within one year (unless there is good cause to extend the period by no more than six months). 35 U.S.C. 316(a)(11). That is, a final determination will likely issue by April 2015. Yelp, Inc., Twitter, Inc., and Facebook, Inc. have also filed petitions for *inter partes* review of the asserted patents. The following chart summarizes the petitions.

Case Number	Patent and Claims	Entity
IPR2014-00082	'536 patent claims 1, 3-15	Apple
IPR2014-00083	'536 patent claims 1, 3-15	Apple
IPR2014-00085	'536 patent claims 2-14 and 16	Apple
IPR2014-00086	'536 patent claims 2-14 and 16	Apple
IPR2014-00092	'536 patent claims 1-16 (all claims)	Yelp and Twitter
IPR2014-00093	'536 patent claims 15 and 16	Facebook
IPR2014-00079	'682 patent claims 1-23 (all claims)	Apple
IPR2014-00080	'682 patent claims 1-23 (all claims)	Apple

In November and December 2013, defendants in seven actions moved to stay pending *inter partes* review. *Yelp*, Dkt. No. 91 (noticed for Dec. 18); *Evolutionary Intelligence, LLC v. Apple, Inc.*, No. 3:13-cv-04201-WHA, Dkt. No. 111 (noticed for Jan. 9); *Evolutionary Intelligence, LLC v. LivingSocial, Inc.*, No. 3:13-cv13-04205-WHO, Dkt. No. 82 (noticed for Jan. 15); *Evolutionary Intelligence, LLC v. Facebook, Inc.*, No. 3:13-cv-04202-SI, Dkt. No. 128 (noticed for Jan. 24); *Evolutionary Intelligence, LLC v. Foursquare Labs, Inc.*,

No. 3:13-cv-04203-MMC, Dkt. No. 89 (noticed for Jan. 24); *Evolutionary Intelligence, LLC v. Groupon, Inc.*, No. 3:13-cv-04204-SI, Dkt. No. 96 (noticed for Jan. 24); *Evolutionary Intelligence, LLC v. Twitter, Inc.*, No. 3:13-cv-04207-JSW, Dkt. No. 95 (noticed for March 7).

A December 18 order granted Yelp's motion to stay pending *inter partes* review (Dkt. No. 108).

ANALYSIS

Apple requests a stay pending resolution of the *inter partes* review petitions filed with the United States Patent and Trademark Office Patent Trial and Appeal Board, or alternatively, a temporary stay pending the PTAB's decision on whether to institute trial on Apple's petitions.

"Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination." *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (citation omitted). In determining whether to grant a stay pending reexamination, courts consider: (1) whether discovery is complete and whether a trial date has been set; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party. *Spectros Corp. v. Thermo Fisher Scientific, Inc.*, No. 4:09-cv-01996-SBA, 2010 WL 338093, at *2 (N.D. Cal. 2010) (Judge Saundra Armstrong).

1. STAGE OF THE LITIGATION.

Discovery is far from complete in this action. In June 2013, Evolutionary served twelve "common interrogatories" on nine defendants (McCrary Decl. Exh. B). The parties exchanged initial disclosures and Evolutionary served infringement contentions. Evolutionary produced approximately 4,000 pages and contends that its production is "substantially complete" (Opp. 24). The parties have begun to meet and confer regarding access to source code, among other discovery, but no access to source code has been provided to date. No protective order has been entered. The non-expert and expert discovery cutoff is currently set for September 30, 2014 and trial is set for January 26, 2015 (Dkt. No. 114).

Although Evolutionary argues that any delay in discovery is entirely of Apple's own making, this order finds that substantial portions of discovery on the merits of this action have yet

to occur. No depositions have been taken and expert reports have not been exchanged. The stage of discovery in this action weighs in favor of a modest partial stay to learn the PTAB's decision regarding Apple's petitions.

Evolutionary also argues that a stay is premature because the PTAB has yet to decide whether to move forward with *inter partes* review. This order agrees. A full stay is not yet warranted because the PTAB may decide to deny review of the '682 patent or one or more claims of the '536 patent. A modest partial stay to learn the PTAB's decision whether to grant *inter partes* review of any (or all) of the asserted claims, however, may be helpful to this action.

2. SIMPLIFICATION OF ISSUES.

Evolutionary argues that a stay will not simplify the action. A stay pending reexamination is justified where "the outcome of the reexamination would be likely to assist the court in determining patent validity and, if the claims were canceled in the reexamination, would eliminate the need to try the infringement issue." *Slip Track Sys., Inc. v. Metal Lite, Inc.*, 159 F.3d 1337, 1341 (Fed. Cir. 1998). A stay may also be granted in order to avoid inconsistent results, obtain guidance from the PTAB, or avoid needless waste of judicial resources.

Evolutionary argues that it is unlikely that *inter partes* review will eliminate the need for this action involving 37 asserted claims. The PTAB will only review invalidity — not infringement or claim construction. Evolutionary cites *Esco Corp. v. Berkeley Forge & Tool, Inc.*, No. C 09-cv-1635-SBA, 2009 WL 3078463, at *1, 3 (N.D. Cal. Sept. 28, 2009), for the proposition that to truly simply issues, the outcome of a reexamination would resolve all issues in a litigation. There, the PTO had already issued an order confirming the validity of the majority of the claims for one of the two asserted patents. Here, by contrast, *inter partes* review has been sought on all of the asserted claims for both asserted patents. The PTAB's review on Apple's petitions, if granted, could potentially streamline invalidity, claim construction, and infringement issues in this action. For example, if one or more independent (or dependent) claims are cancelled, then this action would not need to proceed on the merits for those specific invalid claims. On the other hand, if no asserted claims are cancelled or modified, this action may nevertheless benefit from the PTAB's findings.

Furthermore, there is a not insubstantial likelihood that the PTAB's decision could implicate issues in this action. Evolutionary states that historically, 42% of reexaminations resulted in cancellation or disclaimer of all of the claims, 40% of reexaminations resulted in a change in some of the examined claims, and 11% of reexaminations resulted in confirmation of all of the examined claims (Opp. 7). *Inter partes* reexamination statistics may, of course, end up with little bearing on *inter partes* review statistics, but Evolutionary relies on reexamination statistics because *inter partes* review statistics are not currently available. In any event, there is a possibility that one or more of the asserted claims may be changed or cancelled, expressly since the PTAB has recently been deciding to hear at least 85% of the petitions received by it. This action may benefit from the PTAB's decision in this regard. Development of the *inter partes* review record may also clarify claim construction positions for the parties, raise estoppel issues, and encourage settlement.

There is also little benefit to be gained from having two forums review the validity of the same claims at the same time. Granting a four-month stay to provide the PTAB time to consider whether to grant *inter partes* review will minimize the risk of inconsistent results and conserve resources.

3. PREJUDICE.

Evolutionary argues that a stay would cause undue prejudice because it would (1) result in the loss of evidence, (2) deprive plaintiff of a right to exclude others from practicing the asserted patents, and (3) reward Apple for waiting until the last day of the statutory period to file its petition for *inter partes* review. *First*, Evolutionary's spoliation claim is entirely speculative at this point. Evolutionary does not allege that spoliation has in fact occurred. Rather, Evolutionary alleges that Apple's source code is frequently modified as new versions are released, employees often leave Apple, and a stay of up to two years could harm Evolutionary's ability to obtain discovery because memories fade. This argument is untenable. Without specific evidence based on sworn testimony that spoliation has in fact occurred, a vague generalized "loss of evidence" argument is unpersuasive. The benefits derived from learning the decision of the PTAB far outweigh Evolutionary's misguided loss of evidence attack.

Second, Evolutionary argues that its business model depends on its ability to prevent others from practicing the technology claimed in the asserted patent (Opp. 17–18). "If a stay is granted, Plaintiff will be unable to license or otherwise benefit from the patent during the pendency of the IPRs, and will lose the benefit of the patents during the time they have the most potential value." Not so. Evolutionary's asserted prejudice is greatly exaggerated. A modest partial stay to allow the PTAB to consider Apple's *inter partes* review petitions will not deprive Evolutionary of any "right to exclude others." Should the asserted claims survive *inter partes* review, this action would likely proceed and the parties could litigate the merits of this action, including whether an injunction and/or damages are appropriate. Should one or more of the asserted claims not survive *inter partes* review, Evolutionary should not be entitled to exclude others from practicing invalid claims. In any event, a modest four-month partial stay of this action does not prevent Evolutionary from continuing any licensing efforts it intends to continue during the next four months.

Third, Evolutionary argues that Apple waited until the last day of the statutory period to file its *inter partes* review petition. 35 U.S.C. 315(b). Apple responds that Evolutionary waited until May 2013 to serve its voluminous infringement contentions and within five months, Apple filed six *inter partes* review petitions, collectively challenging all of the asserted claims. Apple's submissions total approximately 6,650 pages. Even so, this reeks of gamesmanship. This action was filed in October 2012. Apple did not have to wait until the last day of the statutory period — in October 2013 — to file its *inter partes* review petitions. They also did not have to wait until December 2013 to file this motion to stay. Nevertheless, this order finds that a modest partial stay to await the PTAB's decision regarding whether to grant review is warranted.

CONCLUSION

Defendant's motion to stay is **GRANTED IN PART AND DENIED IN PART**. This action is hereby **PARTIALLY STAYED** pending the PTAB's decision regarding whether to institute trial on Apple's petitions. This action is **STAYED**, except that Rule 26(a)(1) initial disclosures, infringement contentions, and invalidity contentions will proceed as scheduled. No

interrogatories, requests for production, and requests for admission, however, will be permitted until the stay is lifted.

The parties shall file a joint status statement (not to exceed **SEVEN PAGES**) by **APRIL 29**, or if earlier, the date of the PTAB's decision regarding Apple's petitions for *inter partes* review. A fresh look may be taken at any further request to stay all or a portion of this action upon the PTAB's decision.

IT IS SO ORDERED.

Dated: January 9, 2014.

WILLIAM ALSUP
UNITED STATES DISTRICT JUDGE